

Consensus Revenue Agreement

Executive Summary

January 14, 2004

Economic and Revenue Forecasts

Fiscal Years 2004 and 2005



Principals

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Table 1
Consensus Economic Forecast

January 2004

| | Calendar 2002 Actual | Calendar 2003 Forecast | Percent Change from Prior Year | Calendar 2004 Forecast | Percent Change from Prior Year | Calendar 2005 Forecast | Percent Change from Prior Year |
|---|----------------------------|------------------------------|---|------------------------------|---|------------------------------|---|
| United States | | | | | | | |
| Real Gross Domestic Product (Billions of Chained 1996 Dollars) | \$9,440 | \$9,731 | 3.1% | \$10,178 | 4.6% | \$10,555 | 3.7% |
| Implicit Price Deflator GDP (1996 = 100) | 110.7 | 112.4 | 1.6% | 113.9 | 1.3% | 116.1 | 2.0% |
| Consumer Price Index (1982-84 = 100) | 179.9 | 184.0 | 2.3% | 187.5 | 1.9% | 192.2 | 2.5% |
| Personal Consumption Deflator (1996 = 100) | 111.1 | 113.2 | 1.9% | 115.1 | 1.7% | 117.7 | 2.2% |
| 3-month Treasury Bills Interest Rate (percent) | 1.6 | 1.0 | | 1.5 | | 2.9 | |
| Aaa Corporate Bonds Interest Rate (percent) | 6.5 | 5.7 | | 5.7 | | 5.8 | |
| Unemployment Rate - Civilian (percent) | 5.8 | 6.0 | | 5.6 | | 5.3 | |
| Light Vehicle Sales (millions of units) | 16.7 | 16.6 | -0.6% | 16.8 | 1.2% | 16.9 | 0.6% |
| Passenger Car Sales (millions of units) | 8.1 | 7.7 | -4.7% | 7.8 | 1.3% | 7.8 | 0.0% |
| Light Truck Sales (millions of units) | 8.6 | 8.9 | 3.3% | 9.0 | 1.1% | 9.1 | 1.2% |
| Import Share of Light Vehicles (percent) | 19.7 | 20.2 | | 19.2 | | 19.1 | |
| Michigan | | | | | | | |
| Wage and Salary Employment (thousands) | 4,476 | 4,424 | -1.2% | 4,446 | 0.5% | 4,526 | 1.8% |
| Unemployment Rate (percent) | 6.2 | 7.1 | | 7.2 | | 6.4 | |
| Personal Income (millions of dollars) | \$303,745 | \$311,667 | 2.6% | \$325,692 | 4.5% | \$344,908 | 5.9% |
| Real Personal Income (millions of 1982-84 dollars) | \$169,785 | \$170,296 | 0.3% | \$174,641 | 2.6% | \$180,611 | 3.4% |
| Wages and Salaries (millions of dollars) | \$173,529 | \$175,070 | 0.9% | \$180,147 | 2.9% | \$188,253 | 4.5% |
| Detroit Consumer Price Index (1982-84 = 100) | 178.9 | 183.0 | 2.3% | 186.5 | 1.9% | 191.0 | 2.4% |
| Detroit CPI Fiscal Year (1982-84 = 100) | 177.5 | 182.1 | 2.6% | 185.4 | 1.8% | 189.7 | 2.3% |

Table 2
January 2004 Consensus Agreement
(millions)

| Net Revenue Estimates | | | | | | | | |
|--------------------------|-----------------------------------|-----------------|---------------------------|-----------------------------------|-----------------------|-----------------------|-----------------------|---------------------------------------|
| | FY 2003 | | | FY 2004 | | | FY 2005 | |
| | Adjusted Oct 2003 Consensus | Prelim Final | Change From October | Adjusted Oct 2003 Consensus | Jan 2004 Consensus | Change From Oct | Jan 2004 Consensus | Additional Revenue Over FY 2004 |
| Net GF-GP Revenue | \$7,908.7 | \$7,957.7 | \$49.0 | \$7,857.5 | \$7,857.5 | \$0.0 | \$7,822.8 | (\$34.8) |
| Growth | -6.43% | -5.57% | | -0.65% | -1.26% | | -0.44% | |
| Net SAF Revenue | \$10,661.5 | \$10,714.7 | \$53.3 | \$10,584.3 | \$10,584.3 | \$0.0 | \$10,998.5 | \$414.2 |
| Growth | 5.21% | 5.73% | | -0.72% | -1.22% | | 3.91% | |

| Revenue Limit Calculation | | | |
|----------------------------------|------------------|------------------|------------------|
| | FY 2003 | FY 2004 | FY 2005 |
| Personal Income | \$297,609 | \$303,745 | \$311,667 |
| Ratio | 9.49% | 9.49% | 9.49% |
| Revenue Limit | \$28,243.1 | \$28,825.4 | \$29,577.2 |
| Revenue Subject to Limit | \$23,808.2 | \$23,769.8 | \$24,161.5 |
| Amount Under (Over) Limit | \$4,434.9 | \$5,055.6 | \$5,415.8 |

Note: CY 2001 Personal Income is used for the FY 2003 revenue limit calculation, CY 2002 for FY 2004, and CY 2003 for FY 2005.

| Budget Stabilization Fund Calculation | | School Aid Fund Index | |
|---------------------------------------|--------|------------------------------|-------------------|
| BSF Pay IN for FY 2004-2005 | \$31.4 | Revenue Adjustment Factor | FY 2005 1.0317 |
| | | Membership Adjustment Factor | 0.9983 |
| | | Foundation Allowance Index | 1.0299 |